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**FAR EAST**

**2. Chinese UN delegate discusses withdrawal of Nationalist troops from Burma.**

During a conversation with the US representative in the UN, the Chinese Nationalist delegate indicated surprise at a report that the Burmese Government might allow

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Nationalist troops to withdraw from Burma rather than insist upon their disarmament and internment. The Nationalist official believed that, if this report is true, his government might be willing to undertake the removal of the troops in question from Burma.

Comment: All previous information has indicated that the Burmese are adamant in their refusal to agree to any

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settlement short of surrender and internment.

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Therefore, it is possible that, in the overriding interest of internal security, the Burmese are now willing to risk antagonizing the Chinese Communists by permitting the Nationalists to leave Burma.

3. Communist armies on the Korean front appear well-supplied:

The US Far East Command observes that "the determined defense, the expenditure of artillery and mortar ammunition at a relatively high rate and the physical

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appearance of prisoners of war testify to adequate, although not abundant, food (and ammunition) supply." Winter clothing is reported as having been partially issued to Chinese Communist forces, and North Korean prisoners report such issues are expected "in the near future." FECOM also notes that although the disease rate will rise with the coming of winter, the improved supply situation should keep the enemy non-battle casualty rate below that of last winter. In a final comment, it is observed that "the estimated enemy morale and combat efficiency along the entire front ranges from good to excellent."

Comment: These observations by the US Far East Command are in sharp contrast to those of recent Satellite diplomats commenting on the civilian supply situation in North Korea. FECOM's analysis tends to support the view that combat troops enjoy a high logistic priority at the expense of the civilian population.

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5. British diplomat suggests postponement of Japanese recognition of China:

[REDACTED] Sir Esler Dening, who has been designated as Britain's first post-war Ambassador to Japan, believes that it would be to Japan's best interests to refuse to establish

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diplomatic relations with either the Taipei or Peiping regimes "until the situation clarifies." In an informal conversation with the US Political Adviser in Tokyo, the British diplomat expressed the opinion that a Japanese "commitment" to Taipei undoubtedly would cause later embarrassment, "especially since the Chinese Nationalists are incapable of reestablishing their hold on the Chinese mainland."

The US Political Adviser adds that Dening is proposing to call on Prime Minister Yoshida within the next few days, and that it is safe to assume he will advance this idea in an endeavor to influence the Japanese course of action on Chinese recognition.

Comment: While the Japanese Government has given assurance that it will not deal diplomatically with the Communist regime, there are indications that it would be amenable to any suggestion that Japan's recognition of the Nationalists likewise be postponed. This attitude is based both on a desire to maintain a limited, non-strategic trade with Communist China, and on a desire to avoid this controversial issue. Japan will undoubtedly continue, as it has in the past, to support the Nationalists in various international organizations.

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6. French Air Force aids in beating off Viet Minh:

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Enemy attacks on the outer defenses of the post of Nghia Lo in western Tonkin have been beaten off. The airstrip at Nghia Lo, which the French are now confident of holding, is still in use and French aircraft have been very active. Viet Minh losses are estimated at 1,000 killed, 2,000 wounded.

Comment: The French appear to have put up a better defense of Nghia Lo than they themselves anticipated in view of the fact that they were apparently willing two weeks ago to write off this and other posts in western Tonkin whose loss "would not affect the basic situation." It is believed that the capture of Nghia Lo was attempted by the Viet Minh as a morale-booster, as well as a source of rice and opium.

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8. Loss of Iranian crude oil being made good more quickly than anticipated :

Expansion in the production of sterling crude<sup>25X1</sup> oil has been even more rapid than had been anticipated. For example, Kuwait production, which in June was at the rate of 24 million

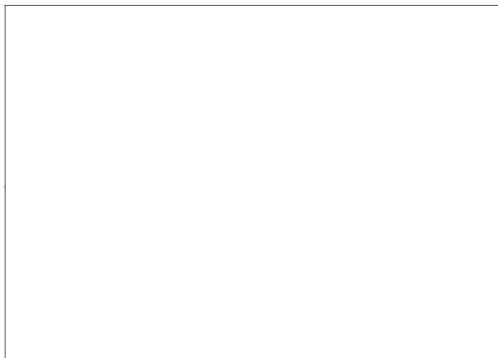
tons annually, had by September been increased to 34 million tons annually and is expected to rise to 40 million tons annually by early 1952. British officials now anticipate that, by the end of 1952, sterling crude production will be sufficient to replace the crude normally supplied by Iran and to provide all that is needed for the expanded sterling refineries.

Comment : It had been anticipated that Iranian crude oil supplies could be replaced with relative ease. The real loss has been the closing of the Abadan refinery, the largest in the world, which in 1950 had a refined output of nearly 25 million metric tons. This loss will be partially compensated by new refineries opened at Fawley, England and Antwerp, Belgium. It will still be impossible to replace immediately Abadan's 18,000-barrel daily output of aviation gas.

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## WESTERN EUROPE

### 9. France may review German policy in light of East German unity proposals:



US officials in Berlin are seriously concerned lest the East German "unity" campaign lead the French to reconsider their German policy. According to reports from the office of the US High Commissioner in Berlin, French officials in Berlin believe that the USSR is now ready to accept free elections under four-power control in order to achieve demilitarization of the whole of Germany, the East German press "is making a persistently

strong play for French support of a demilitarized united Germany," and "most observers" in Berlin believe that the Germans would be strongly attracted by an opportunity for truly free elections "at the price of" demilitarization.

The concern of the US officials is heightened by reports that the French Foreign Office possesses "secret instructions," purportedly issued by the West German Chancellor's office, directing that Germans living in the Saar and Alsace-Lorraine be encouraged to look forward to a reunion of these areas with the Reich. The US officials suggest that these "instructions" may be another form of Communist deceptive efforts aimed at the French.

Comment: While the French Government is not known to be reconsidering its German policy as a result of the East German "unity" proposals, French political circles have shown widespread interest in the possibility of a "new Soviet diplomatic initiative" which might be particularly directed toward France. The pro-Government press has reported opinions of "certain political personalities" that such an initiative is "plausible." The mounting defense burden is already forcing the French to reconsider many of their foreign policy commitments, and the increasing instability of the present regime weakens the capabilities of the Foreign Office for ignoring the still strong misgivings in France concerning German remilitarization.



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